

ATTACHMENT 6

Redlined Restated Interconnection Agreement pages 14 and Appendix G, First Revised Service Agreement No. 23, SDG&E FERC Electric Tariff, Second Revised Volume No. 11, between Calpine Corporation and SDG&E, and conformed Second Revised Service Agreement No. 23, SDG&E FERC Electric Tariff, Second Revised Volume No. 11, reflecting proposed O&M Fixed Charge Rate

is a representation by SDG&E as to the economic or technical feasibility, operational capacity, or reliability of such facilities. OMEC is solely responsible for economic and technical feasibility, operational capability, and reliability of OMEC's Generating Facility.

8.12 OMEC Right to Firm Transmission Rights

In the event that the ISO or any Governmental Authority determines that the Otay Mesa-Miguel transmission line is congested and, as a result, or for any other reason, institutes interzonal congestion management (or some other similar mechanism) on this line, OMEC shall receive, to the extent legally permissible, firm transmission (or similar) rights for any increase in the transmission capacity on the line created by the Interconnection Facilities pursuant to the IFA, and SDG&E hereby consents to the grant of such firm transmission (or similar) rights and agrees to take all steps reasonably necessary to assist OMEC in obtaining such firm transmission (or similar) rights.

8.13 Obligation to Make Payments

8.13.1 Operation and Maintenance Charge.

Commencing with the in-service date for the Interconnection Facilities of September 1, 2008 or such other date as may be established pursuant to the terms of the IFA ("In-Service Date"), SDG&E shall bill annually, and OMEC shall pay over the Term of this IA, a separate operation and maintenance charge to compensate SDG&E for the operation, maintenance, and applicable taxes associated with the Interconnection Facilities that are direct assignment facilities as described in Appendix E and not related to network upgrades in an amount equal to: 0.0617 annual rate the currently effective Generation Interconnection O&M Fixed Charge Rate set forth in Appendix XI of SDG&E's Transmission Owner Tariff (as such rate may be modified from time to time)-times the following amount: The installed Cost of the direct assignment Interconnection Facilities. An example calculation of the formula is attached as Appendix G. In addition, OMEC shall pay SDG&E as part of the operation and maintenance charges all costs incurred by SDG&E after the In-Service Date associated with SDG&E's obligations under Sections 5.1.6.1 and 5.1.6.2 of the IFA.

8.13.2 Other Charges

In accordance with the billing and payment procedures in Section 15, SDG&E shall issue to OMEC and OMEC shall pay a monthly bill for any reasonable costs that are incurred by SDG&E as set forth in this IA.

8.14 Maintenance of Tax Exempt Status for Local Furnishing Bonds

8.14.1 OMEC represents and warrants that it will comply with all applicable and lawful tariffs, protocols, orders, and directives of the ISO issued to protect the exclusion from gross income of interest on SDG&E's Local Furnishing Bonds.

8.14.2 SDG&E represents and OMEC agrees that monetary damages by themselves will be inadequate to compensate SDG&E for OMEC's breach of its obligations under Section 8.14.1. Based on this representation, OMEC agrees that SDG&E is entitled to equitable relief by way of injunction or otherwise, if it breaches or threatens to breach its obligations under Section 8.14.

9. OPERATING COMMUNICATIONS AND NOTIFICATIONS

9.1 Designated Representatives

The Parties shall provide for operating communications through their respective designated representatives as follows:

SDG&E
Operations Shift Supervisor

OMEC
Operations Manager

APPENDIX G

Sample Operation and Maintenance Charge Calculation

Commencing on the In-Service Date for the Interconnection Facilities, Section 8.13.1 of the IA provides for an annual O&M charge equal to “~~0.0617 annual rate~~ ~~the currently effective Generation Interconnection O&M Fixed Charge Rate set forth in Appendix XI of SDG&E’s Transmission Owner Tariff (as such rate may be modified from time to time)~~” times the following amount: The installed Cost of the direct assignment Interconnection Facilities.” In addition, OMEC shall pay SDG&E after the in-service date of the Interconnection Facilities associated with SDG&E’s obligations under Sections 5.1.6.1 and 5.1.6.2 of the IFA.

The following example using hypothetical costs illustrates how the formula would work. Assume the following:

Installed Cost of the 230 kV generator tie line conductor within the Switchyard, and the deadend insulators	\$ 20,086
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The resulting annual O&M charge would be calculated as follows:

Annually: $\$20,086 * 0.0617 = \text{\$}1,239.31$ (the currently effective Generation Interconnection O&M Fixed Charge Rate set forth in Appendix XI of SDG&E’s Transmission Owner Tariff (as such rate may be modified from time to time))

RESTATED INTERCONNECTION AGREEMENT

dated OCTOBER 23, 2006

between

SAN DIEGO GAS & ELECTRIC COMPANY

and

CALPINE CORPORATION

Second Revised Service Agreement No. 23
FERC Electric Tariff, Second Revised Volume No. 11

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RESTATED INTERCONNECTION AGREEMENT

1. PREAMBLE

This Restated Interconnection Agreement ("IA"), dated October 23, 2006, between CALPINE CORPORATION (hereinafter generally referred to as "OMEC") and SAN DIEGO GAS & ELECTRIC COMPANY ("SDG&E"), hereinafter sometimes referred to individually as "Party" or collectively as "Parties", is as follows:

2. RECITALS

2.1 SDG&E is a public utility engaged, among other things, in the business of owning and operating an electric system consisting of transmission and distribution facilities in Southern California;

2.2 Otay Mesa Energy Center, LLC intends to construct and operate a Generating Facility, which is located in the County of San Diego, California and described in Appendix E, for the purpose of generating electric energy for its own use, selling electric power at wholesale, or both and has requested permission from SDG&E to interconnect the Generating Facility in order to operate it in parallel with the SDG&E Electric System;

2.3 SDG&E and Otay Mesa Generating Company ("OM Generating Company") executed an interconnection agreement ("Initial IA") on February 16, 2001 and the FERC accepted the Initial IA in an order issued on April 24, 2001;

2.4 Pursuant to an Agreement and Plan of Merger described in a Certificate of Merger filed with the Delaware Secretary of State on July 16, 2003, OM Generating Company was merged with Calpine Corporation, with Calpine Corporation the surviving corporation, as a result of which merger Calpine Corporation is the successor in interest to OM Generating Company's interests in the Amended Initial IA;

2.5 Calpine Corporation has advised SDG&E of its intent to assign the IA and the associated Interconnection Facilities Agreement to Otay Mesa Energy Center, LLC upon obtaining the necessary approvals from the Bankruptcy Court or by otherwise obtaining authority to make such assignment in a manner compliant with the bankruptcy laws. SDG&E acknowledges that Calpine Corporation intends to make such assignment to Otay Mesa Energy Center, LLC and SDG&E consents to Calpine Corporation effectuating such assignment of this Agreement to Otay Mesa Energy Center, LLC upon Calpine Corporation providing SDG&E notice of its intent to make such assignment and representing that such assignment is in compliance with Calpine Corporation's obligations as a debtor in bankruptcy under the bankruptcy laws. Upon such assignment by Calpine Corporation, the terms of this Agreement shall remain the same, provided that the name of the Calpine Corporation entity which is a party to Agreement shall become Otay Mesa Energy Center, LLC;

2.6 SDG&E remains willing to permit such interconnection and parallel operation under the terms and conditions contained in this IA;

2.7 OMEC understands that this IA does not provide any transmission or distribution services or Ancillary Services;

2.8 The IFA obligates OMEC to design new Generating Facilities or additions to existing Generating Facilities consistent with Good Utility Practice;

2.9 This IA obligates OMEC to operate and maintain the Generating Facility consistent with Good Utility Practice;

2.10 This IA establishes interconnection and operating responsibilities and associated procedures for communications between OMEC and SDG&E Electric System operators. The IA also establishes procedures for safe work practices on the Interconnection Facilities and the SDG&E Electric System and routine test procedures;

2.11 OMEC understands that it will be subject to the ISO Tariff and protocols and operating procedures thereunder and that it is responsible for making any arrangements necessary with the ISO.

3. AGREEMENT

Now, therefore, in consideration of the mutual covenants herein set forth, the Parties agree as follows:

4. DEFINITIONS

Terms and expressions when used in this IA with the initial letters capitalized, whether in the singular, plural or possessive, shall have the meanings set forth in this IA.

4.1 Ancillary Services

Ancillary Services shall mean those services that are necessary to support the transmission of capacity and energy from resources to loads while maintaining reliable operation of the SDG&E Electric System in accordance with Good Utility Practice, the FERC-approved Transmission Control Agreement among the ISO, SDG&E and other participating transmission owners that have transferred operational control of transmission facilities and entitlements to the ISO, and the ISO Tariff.

4.1 Business Day

A day other than Saturday, Sunday or a day on which: (i) banks are legally closed for business in the State of California; or (ii) SDG&E is closed for business.

4.2 Clearance Point

The point(s) that electrically isolate(s) SDG&E's equipment from possible sources of energy from the Generating Facility and Generator Step-up Facilities. Clearance Points may be requested by SDG&E from time to time as provided in Section 8.7, so that work can be safely performed on the SDG&E Electric System, and may be requested by OMEC from time to time as provided for in Section 7.5. The Clearance Point is normally located at the Disconnect Device.

4.3 CPUC

The California Public Utilities Commission or its successor.

4.4 Designated SDG&E Switching Center

The SDG&E location, identified in Section 9.1 of this IA, with operational jurisdiction over the Generating Facility and the Generator Step-up Facilities.

4.5 Disconnect Device

A device used to isolate the Generating Facility from the SDG&E Electric System and normally located adjacent to the Point(s) of Interconnection. Each Generating Facility must have a Disconnect Device which shall be clearly marked in a nomenclature acceptable to SDG&E and OMEC operating personnel.

4.6 Emergency

An abnormal condition or situation that adversely affects, or potentially may adversely affect, the Generating Facility or the SDG&E System Integrity. Such an event may result from, but is not limited to, a System Emergency.

4.7 FPA

The Federal Power Act as it may be amended or superseded.

4.8 FERC

The Federal Energy Regulatory Commission or its regulatory successor.

4.9 Generating Facility

The generating units of OMEC described in Appendix E and associated facilities, which shall include, but not be limited to, Generator Step-up Facilities and protective devices.

4.10 Generator Step-up Facilities

Electric facilities owned and operated by OMEC to step-up the generator voltage to the voltage of the interconnection. Generator Step-up Facilities may include transformers, and high side circuit breakers.

4.11 Good Utility Practice

Any of the practices, methods, and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices, methods, and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety, and expedition. Good Utility Practice is not intended to be any one of a number of the optimum practices, methods, or acts to the exclusion of all others, but rather to be acceptable practices, methods, or acts generally accepted in the region.

4.12 Governmental Authority

Any federal, state, local or other governmental, regulatory or administrative agency, governmental commission, department, board, subdivision, court, tribunal, or other governmental arbitrator, arbitral body or other authority, but excluding OMEC and any subsequent owner of the Generating Facility (if OMEC or any subsequent owner is otherwise a Governmental Authority under this definition).

4.13 Hold Authorization

An authorization assuring that a change of state of a switching device will not occur unless SDG&E authorizes such change of state.

4.14 Interconnection Capacity

The amount of net electric capacity up to which the Generating Facility may deliver energy and Ancillary Services into the SDG&E Electric System through the Interconnection Facilities, as specified in Section E.2.2 of Appendix E and modified, if necessary, through technical studies conducted by SDG&E, pursuant to Section 5.7 of the ISO Tariff in consultation with OMEC.

4.15 Interconnection Facilities

All apparatus installed to interconnect and allow power to flow between the Generating Facility through the Interconnection Facilities to the SDG&E Electric System and the Generating Facility, including, but not limited to, the Disconnect Device, connection, transformation, switching, metering, and

communications equipment, as well as any necessary additions, modifications and reinforcements to the SDG&E Electric System necessitated as a result of interconnecting the Generating Facility to the SDG&E Electric System. Interconnection Facilities also include control and safety equipment to protect (i) the SDG&E Electric System and its customers from faults occurring at the Generating Facility and the Generator Step-up Facilities; and (ii) the Generating Facility and Generator Step-up Facilities from faults occurring on the SDG&E Electric System or on the electric system of others to which the SDG&E Electric System is directly or indirectly connected. These Interconnection Facilities are described in Appendix E.

4.16 [Reserved]

4.17 Interconnection Service

Interconnection Service refers to OMEC's ability, through the Interconnection Facilities, to deliver at the Point(s) of Interconnection the energy and Ancillary Services produced by the Generating Facility and, if necessary, to receive its facility station service requirements from, the SDG&E Electric System under the terms and conditions of this IA when (i) the Generating Facility is interconnected with the SDG&E Electric System; and (ii) the operation of the SDG&E Electric System is not suspended, interrupted or interfered with as a result of Uncontrollable Force. The term "Interconnection Service" as used in this IA shall not refer to any right to transmit power over SDG&E's transmission and/or distribution system. The interconnection plan of service is described in Appendix E.

4.18 ISO

The California Independent System Operator Corporation or its successor which operates the ISO Controlled Grid.

4.19 ISO Controlled Grid

The system of transmission lines and associated facilities of the participating transmission owners that have been placed under the ISO's operational control.

4.20 ISO Tariff

The FERC-approved and effective ISO Tariff, as it may be modified or superseded from time to time.

4.21 Local Furnishing Bonds

Conduit revenue bonds to finance or refinance a portion of SDG&E's costs of improvements to its local electric system in the approximate aggregate principal amount of \$686 million, including approximately \$168 million that financed transmission facilities and approximately \$518 million that financed distribution facilities, comprised of the following series of bonds, as refunded from time to time:

City of Chula Vista	City of San Diego
Series 1992 B	Series 1993 A
Series 1992 C	Series 1993 C
Series 1992 D	
Series 1992 D	
Series 1996 A	
Series 1996 B	
Series 1997 A	

Series 2004 A
Series 2004 B
Series 2004 C
Series 2004 D
Series 2004 E
Series 2004 F
Series 2006 A

4.22 Person

An individual, partnership, joint venture, corporation, limited liability company, trust, association or unincorporated organization, or any Governmental Authority.

4.23 Point(s) of Interconnection

The "Point(s) of Interconnection" are the points where the Generating Facility connects with the Interconnection Facilities at the deadend insulators and the ISO Controlled Grid within the Switchyard, as shown in Section E.6 of Appendix E.

4.24 Restated Interconnection Facilities Agreement or "IFA"

The Restated Interconnection Facilities Agreement, dated September XX, 2006, between Otay Mesa Energy Center, LLC and San Diego Gas & Electric Company.

4.25 SDG&E Electric System

All properties and other assets, other than the Interconnection Facilities, now or hereafter existing, which are owned or controlled by SDG&E or its successor, and used for or directly associated with the generation, transmission, transformation, distribution or sale of electric power, including all additions, extensions, expansions, and improvements thereto.

4.26 SDG&E System Integrity

The state of operation of the SDG&E Electric System in a manner that is deemed by SDG&E in its sole discretion necessary or desirable to minimize the risk of injury to persons and/or property and enable SDG&E to provide adequate and reliable electric service to its customers.

4.27 SDG&E Interconnection Handbook

SDG&E Interconnection Handbook shall have the meaning set forth in Section 13.2 hereof.

4.28 Standard Operating Procedures

The established standard operating procedures which all SDG&E personnel involved in the operation, construction and maintenance of the SDG&E Electric System and the SDG&E Interconnection Facilities are required to follow, as they may be modified or superseded from time to time.

4.29 Switchyard

The Switchyard is described in Appendix B, Part II.

4.30 Responsible Meter Party

The Party having the responsibility for providing, installing, owning, operating, testing, servicing and maintaining meters and associated recording or telemetering equipment located at the Generating Facility site outside of the Switchyard. The Responsible Meter Party is OMEC.

4.31 Significant Regulatory Change

A "Significant Regulatory Change" occurs when the FERC, the ISO, the CPUC, the California Legislature, or the United States Congress, or any other regulatory, legislative or judicial body having jurisdiction over either Party issues an order or decision or adopts or modifies a tariff, or enacts a law that: (i) significantly and substantially changes the structure or function of the California electric utility industry in a way that materially affects this IA; or (ii) substantially prevents either Party from performing its material functions under this IA.

4.32 TCA

The Transmission Control Agreement, between the ISO and Participating TOs, including SDG&E, establishing the terms and conditions under which each Participating TO will discharge their respective duties and responsibilities, as it may be modified from time to time.

4.33 Third Party

A Person other than SDG&E or OMEC.

4.34 Uncontrollable Force

Any act of God, labor disturbance, act of the public enemy, war, insurrection, riot, fire, storm, flood, earthquake, explosion, work curtailment directed by the ISO, order, regulation, failure to obtain necessary governmental authorizations provided the applicant has made a complete and timely request for such authorizations and provided the applicant has complied with any applicable schedules for requesting such authorizations, or restriction imposed by governmental, military or lawfully established civilian authorities or any other cause beyond the reasonable control of a Party, which could not be avoided through the exercise of Good Utility Practice. The failure or refusal of the ISO to grant permission in a timely manner to SDG&E in response to a complete and timely request by SDG&E for planned facility outages needed to complete the installation of the Interconnection Facilities shall be an Uncontrollable Force. Equipment or material and services shortages and contractor including delays in construction resulting therefrom, beyond the reasonable control of SDG&E, shall be an Uncontrollable Force. Under no circumstance shall the lack of funds or failure to make payments be considered an Uncontrollable Force for purposes of this IA.

4.35 WECC

The Western Electricity Coordinating Council or its successor. WECC is the successor in interest to the Western Systems Coordinating Council.

5. PRE-COMMENCEMENT OBLIGATIONS

5.1 Interconnection Facilities Agreement

SDG&E and OMEC shall have entered into a separate Restated IFA which updates the Initial IFA and the Amended Initial IFA, as those terms are defined in the IFA, providing for the design, engineering, construction, installation, operation and maintenance of, and the recovery of costs associated with, the facilities that are necessary for OMEC's Generating Facility to interconnect with the SDG&E Electric System and allow the Generating Facility to deliver energy and Ancillary Services up to the Interconnection Capacity into the SDG&E Electric System.

6. TERM

6.1 Effective Date and Termination of the IA

6.1.1 This IA shall become effective on the date it is executed by both Parties ("Effective Date"), subject to acceptance of this IA for filing by FERC without the addition of any material condition that is unacceptable to either Party. In the event FERC (i) fails to accept this IA without suspension or (ii) finds that this IA is not just and reasonable or imposes conditions that are not acceptable to either Party, the Parties will use commercially reasonable efforts to agree upon amendments or modifications of this IA that would eliminate any such conditions or result in a just and reasonable finding. The term of this IA shall continue in full force and effect until the date on which a Party provides notice of termination based on reasons specified in Sections 5.1 or 6.1.2.

6.1.2 In addition to termination rights provided to the Parties by applicable law, this IA may be terminated in accordance with Section 6.1.3 hereof for any of the following reasons:

- (i) by SDG&E if the Generating Facility permanently ceases operation for any reason;
- (ii) by OMEC for any reason;
- (iii) by either Party if the ownership of the Interconnection Facilities, or a substantial portion thereof, is acquired by a public authority through the exercise of such authority's power of eminent domain; or
- (iv) by either Party, in accordance with the terms of Section 16.9.2 of this IA.

6.1.3 To effect termination resulting from an event set forth in Section 6.1.2 (i) or (iii), a Party seeking to terminate shall provide at least 30 calendar days prior written notice specifying the termination date to the other Party in accordance with Section 16.21. However, if the Party receiving such notice of termination cures the event giving rise to the right to termination prior to the specified termination date or more time is reasonably required to effect the cure and is acting to achieve such cure, this IA shall remain in full force and effect. To effect termination resulting from an event set forth in Section 6.1.2 (iv), the provisions of Section 16.9.2 shall apply. A termination by OMEC in accordance with Section 6.1.2 (ii) shall become effective within 5 calendar days after OMEC provides SDG&E with written notice of its intent to terminate.

6.2 Effect of Termination of IA

- (i) SDG&E may, at its option, alter, rearrange, or retain in place any portion of installed Interconnection Facilities paid for by OMEC that SDG&E desires to continue to use to provide utility service, *provided that* SDG&E shall pay to OMEC a facility termination charge reflecting the greater of the salvage value of such facilities or an amount for such facilities based on OMEC's cost for such facilities less depreciation;
- (ii) [Reserved];
- (iii) Unless SDG&E exercises its option set forth in subsection 6.2(i), OMEC shall, upon advance notice to SDG&E and in accordance with SDG&E's Standard Operating Procedures and Good Utility Practice, remove the OMEC owned facilities in the Switchyard;
- (iv) SDG&E at its sole option shall be entitled to bypass the Switchyard and restore a direct transmission interconnection between the Miguel Substation and the Comision Federal de Electricidad's system, using existing installed facilities whenever feasible, in which event OMEC

shall reimburse SDG&E for any reasonable cost to accommodate such restoration of a direct transmission interconnection; and

- (v) In the event of termination pursuant to subsection 6.1.2(ii), or 6.1.2, OMEC shall pay to SDG&E pursuant to Section 15 all Costs, including any contract cancellation costs that cannot reasonably be avoided, that arise as a consequence of such termination.

7. SDG&E'S RIGHTS AND OBLIGATIONS

SDG&E shall operate and maintain the Interconnection Facilities and perform its rights and obligations under this IA in accordance with SDG&E's Standard Operating Procedures, established maintenance practices and Good Utility Practice.

7.1 Limited Responsibility to Accept Energy and Ancillary Services Into and to Deliver Station Requirements from the SDG&E Electric System

7.1.1 Sole Purpose to Provide Interconnection Services

The sole intent and purpose of this IA is to provide for the electric interconnection and parallel operation of the Generating Facility with the SDG&E Electric System, including the establishment of the operating capacity of the Point(s) of Interconnection and rules governing the interconnected operations to promote and maintain SDG&E System Integrity.

7.1.2 Obligation to Accept Energy and Ancillary Services

SDG&E shall accept into or from the SDG&E Electric System at the Point(s) of Interconnection energy and Ancillary Services produced by the Generating Facility up to the Interconnection Capacity specified in Appendix E and delivered to SDG&E in accordance with this IA and, if necessary, any Generation Facility station service requirements; *provided*, however, OMEC shall make previous arrangements, either directly for its own account or indirectly through a purchaser of its energy and Ancillary Services, for the transmission service, and any necessary export or import permits, needed to transfer energy and Ancillary Services from and, as necessary, station service requirements to, the Point(s) of Interconnection. *Provided*, further, that the Parties recognize OMEC may purchase station service from any retail service provider. However, in the event OMEC requests SDG&E to provide station service, OMEC acknowledges and agrees that such service shall be at applicable retail rates established by the CPUC. In the event of an increase in the output of the Generating Facility or other material change or modification to the configuration and operation of the Generating Facility, the Parties shall negotiate appropriate revisions to this IA, including as necessary the specifications or requirements set forth in Appendix E as necessary to permit SDG&E to provide revised Interconnection Service in fashion consistent with this IA. Facilities that are required to accommodate such revised Interconnection Service shall provide the ISO with acceptable operating flexibility and meet all applicable requirements for reliable integration within the ISO Controlled Grid.

7.1.3 No Obligation to Provide Transmission or Distribution Service

Except as provided in Section 8.12, nothing in this IA shall be deemed either expressly or implicitly to obligate SDG&E to provide any electric transmission or distribution service for the transport of electric energy from the Generating Facility.

7.1.4 New or Revised Interconnection Services Subject to ISO Approval

OMEC understands that SDG&E is subject to the ISO Tariff and to the TCA and, as a result, SDG&E cannot commit to provide any new or revised Interconnection Service to OMEC without the approval of the ISO.

7.2 Right to Disconnect the Generating Facility During the Term

7.2.1 OMEC's Failure to Meet Standards

SDG&E may, consistent with Standard Operating Procedures and Good Utility Practice, disconnect the Generating Facility from the SDG&E Electric System if, and during the period which, the Generating Facility materially fails to meet the requirements set forth in this IA. Except as described in Section 7.2.1.1, prior to such disconnection SDG&E shall promptly provide written notice to OMEC detailing OMEC's failure to adhere to such requirements and provide OMEC 30 calendar days to correct such deficiency. Except as otherwise provided in Subsection 7.2.1.1, SDG&E shall not disconnect the Generation Facility if OMEC corrects the deficiencies described in the written notice within 30 calendar days or is diligently working to achieve a cure that reasonably takes additional time.

7.2.1.1 Immediate Disconnection

If SDG&E reasonably determines that a hazardous condition exists and immediate action is necessary to protect Persons, Interconnection Facilities, or the SDG&E Electric System, other customers' facilities, or other interconnected utility systems from material damage or interference caused by the Generating Facility, then SDG&E may immediately disconnect the Generating Facility from the SDG&E Electric System. Immediately following such events, the Designated SDG&E Switching Center will provide the Generating Facility with a clear explanation of the cause(s) for the action taken and the remedies required to return to normal operation. If requested by OMEC, SDG&E will provide a written report to OMEC explaining any such event by the following Business Day.

7.2.2 Right to Inspect OMEC's Operations Logs, Maintenance Records, and Facilities

Upon reasonable advance notice to OMEC, SDG&E shall have the right to enter OMEC's premises at any reasonable times for inspection of OMEC's (i) operations logs and maintenance records relating to activities which can reasonably be expected to affect operation of the SDG&E Electric System and (ii) control, protective and safety devices. While on OMEC's premises, SDG&E shall comply with OMEC's written safety, security and operating conventions, protocols and practices; *provided*, that OMEC has provided SDG&E with such written safety, security and operating conventions, protocols and practices, which are consistent with Good Utility Practice.

7.3 Right to Interrupt Interconnection Service

7.3.1 Unscheduled Interruptions

Upon reasonable advance notice to OMEC, SDG&E may temporarily interrupt or reduce Interconnection Service to the Generating Facility, or temporarily separate the SDG&E Electric System, or the Interconnection Facilities, from the Generating Facility, if SDG&E reasonably determines at any time that: (i) an Emergency condition exists and the action is necessary or desirable to protect or maintain SDG&E System Integrity; (ii) the operation of the Interconnection Facilities, or SDG&E Electric System is suspended, interrupted or interfered with as a result of Uncontrollable Force; or (iii) it has been so instructed by the ISO in accordance with the TCA or any duly authorized regulatory or governmental agency. In the event of such interruption or reduction in Interconnection Service, SDG&E shall restore full Interconnection Service on a basis comparable to the restoration of other public service and safety facilities, and, in any event, as directed by the authorized emergency response officials. Should SDG&E determine that such interruption or reduction in service will be of a prolonged nature, SDG&E and OMEC shall confer and attempt to agree on the time by which full service can be restored.

7.3.2 Interruption by Protective Devices

SDG&E utilizes automatic protective devices in order to assist in maintaining SDG&E System Integrity. SDG&E is to maintain these devices in reasonable working order. In the event of any interruption resulting from the operation of protective devices, Interconnection Service will be restored consistent with Standard Operating Procedures and Good Utility Practice.

7.3.3 Maintenance Interruptions

7.3.3.1 SDG&E may interrupt Interconnection Service to the Generating Facility to perform necessary maintenance on the Interconnection Facilities or the SDG&E Electric System; *provided*, that such interruptions are consistent with Standard Operating Procedures and Good Utility Practice. SDG&E shall reasonably attempt to coordinate such maintenance interruptions with OMEC and shall provide OMEC with as much advance notice as possible but in no event shall the notice be less than 3 Business Days except where SDG&E determines an Emergency exists or may exist which requires quicker action to correct, in which case SDG&E shall provide as much advance notice to OMEC of the interruption as is reasonably possible.

7.3.3.2 SDG&E normally conducts maintenance interruptions during normal business hours on a Business Day, between 6:30 AM and 4:00 PM. In the event that OMEC desires the proposed maintenance interruption to occur during non-business hours, SDG&E reserves the right to charge OMEC the additional cost for work performed. SDG&E will provide OMEC with an estimate of the additional cost and if OMEC still desires the work to be performed during non-normal business hours and SDG&E does perform the work, SDG&E shall charge OMEC the actual additional costs of the work, the amount of which shall not exceed the cost estimate.

7.4 Right to Install Facilities

7.4.1 Installation of Facilities

In the event SDG&E determines that it is necessary, consistent with Standard Operating Procedures and Good Utility Practice, in order to accommodate generator interconnections and transmission or distribution services, for SDG&E to install new or modify existing SDG&E-owned facilities, including, but not limited to, such facilities located at the Switchyard, and implement operating procedures (collectively, the facilities and procedures shall be referred to hereinafter as the "Facilities") and such Facilities adversely affect and do not benefit the Interconnection Capacity or the Generating Facility, SDG&E shall promptly notify OMEC. The Parties shall work together, in good faith, to agree upon the nature, scope, and costs for any modifications and operating procedures reasonably necessary to address any such adverse affect associated with the Facilities. If the Parties cannot agree on the modifications and operating procedures and associated costs and benefits and procedures, then the dispute shall be resolved through procedures set forth in Section 16.10 (Dispute Resolution); *provided* that SDG&E may install and implement the Facilities prior to the resolution of such dispute regarding the modifications, but only if the dispute involves the costs and benefits of such modifications and operating procedures and not design or engineering matters related to the Facilities, and SDG&E takes all reasonably available means to minimize the time and amount of disruption of Interconnection Services to OMEC. The Parties agree that SDG&E and not OMEC shall be solely responsible for all costs associated with any Facilities and with modifications and operating procedures determined pursuant to this subsection that are required to address any adverse affect on OMEC.

7.4.2 Costs Incurred by OMEC as a Result of the Installation and Operation of Facilities

To the extent OMEC may reasonably be required to modify its Generating Facility as a result of Facilities to be installed or operated by SDG&E, SDG&E and not OMEC shall be solely responsible for all costs reasonably incurred by OMEC to accommodate such Facilities but only to the extent such Facilities adversely affect OMEC. The Parties shall work together, in good faith, to agree upon the extent and costs of the modifications necessary to the OMEC Generating Facility and operating procedures made by OMEC. If the Parties cannot agree on the need or cost of such modifications and operating procedures, then the dispute shall be resolved through procedures set forth in Section 16.10; *provided* that until such dispute is resolved either by mutual agreement or the dispute resolution procedures SDG&E shall not place into commercial operation the Facilities.

7.4.3 [Reserved]

7.5 Clearance Point Request by OMEC

In order for OMEC to perform maintenance work on or near the generator leads or undertaking work, SDG&E must open its Disconnect Device(s) if OMEC reasonably requests from the Designated SDG&E Switching Center a clearance point five Business Days in advance consistent with SDG&E's and the ISO's scheduling procedures, as may be changed from time to time, or in real-time during an Emergency. A qualified OMEC employee will observe that the Disconnect Device is open, lock it with an OMEC lock and attach a filled out "Hold-Out" tag to indicate it is a Clearance Point.

8. OMEC'S RIGHTS AND OBLIGATIONS

8.1 OMEC's Right to Deliver Energy and Ancillary Services to the SDG&E Electric System

OMEC shall have the right to deliver energy and Ancillary Services from the Generating Facility into the SDG&E Electric System through the Interconnection Facilities at the Point(s) of Interconnection; *provided*, at no time shall OMEC deliver energy and Ancillary Services at a rate that exceeds the Interconnection Capacity specified in Appendix E; nor shall OMEC deliver energy and Ancillary Services into the SDG&E Electric System unless it has arranged for transmission service pursuant to Section 7.1.2.

8.1.1 Consequences of Exceeding Interconnection Capacity

It is the intent of the Parties that power deliveries to the SDG&E Electric System shall not exceed the Interconnection Capacity specified in Appendix E at any time. In the event that energy and Ancillary Service deliveries exceed the Interconnection Capacity, the Parties, at either Party's request, shall meet to determine the reason that the Interconnection Capacity was exceeded. If the Parties determine that such an event was not due to Uncontrollable Force or an Emergency and is reasonably likely to occur again in the future, then a new higher Interconnection Capacity shall be established. SDG&E shall have the right to require that a study be conducted pursuant to the ISO Tariff and SDG&E's Transmission Owner Tariff, at OMEC's expense, to determine if additional facilities, including upgrades to the SDG&E transmission and distribution systems, are required to accommodate the increased Interconnection Capacity. If the Parties fail to agree within 30 calendar days after the initial meeting, that the Interconnection Capacity must be increased, the matter, at either Party's request, shall be resolved through the dispute resolution procedures set forth in Section 16.10. If SDG&E determines that additional facilities are required, then the Parties shall execute an amended Interconnection Facilities Agreement, as described in Section 5.1, to allow SDG&E to recover the Costs of any such additional facilities. During any period SDG&E and OMEC have not reached an accommodation whether the event of deliveries in excess of the Interconnection Capacity occurred and is likely to occur again in the future, OMEC agrees, in the event of material adverse effects resulting therefrom, to operate the Generating Facility in a manner that is consistent with Good Utility Practice and is likely to ensure that energy and Ancillary Services are not delivered at any time into SDG&E's Electric System in excess of the Interconnection Capacity specified in Appendix E.

8.2 Generating Facility Must Meet Standards

8.2.1 Generating Facility to Meet Applicable Laws and Good Utility Practice

OMEC shall be fully responsible for designing new generating facilities or additions to the existing Generating Facility in accordance with Good Utility Practice. OMEC is also fully responsible for installing, owning, operating and maintaining the Generating Facility or any new generating facility or additions in accordance with all applicable laws, rules and regulations of governmental agencies having jurisdiction and in accordance with Good Utility Practice.

8.2.2 Generating Facility to Comply with SDG&E Interconnection Handbook; Maintenance by OMEC of Facilities at Otay Mesa Switchyard

New generating facilities or additions to the existing Generating Facility shall be designed and constructed in accordance with the SDG&E Interconnection Handbook, and OMEC shall have obtained the necessary approvals from each Governmental Authority and the ISO, as applicable. Such facilities shall be designed, constructed and operated in accordance with the SDG&E Interconnection Handbook, except as provided in Appendix F. SDG&E shall provide OMEC with the latest revisions of the SDG&E Interconnection Handbook that SDG&E may make from time to time. OMEC shall be responsible for assuring that its operating personnel at all times have the latest versions of the SDG&E Interconnection Handbook.

8.2.3 OMEC Shall Provide Transmission Planning Data

OMEC is obligated to provide SDG&E with steady state and dynamic data for the Generating Facility as required by the SDG&E Interconnection Handbook and the WECC. OMEC will also provide SDG&E with real time operating data required by SDG&E to reliably operate the SDG&E Electric System.

8.2.4 OMEC Shall Operate Protective Devices

OMEC shall operate protective and safety devices as required by the SDG&E Interconnection Handbook for safe parallel operation of the Generating Facility with the SDG&E Electric System.

8.2.5 Duty to Minimize Disturbances

OMEC agrees to plan and operate its Generating Facility in a manner that reasonably minimizes electrical disturbances on the Interconnection Facilities and the SDG&E Electric System caused by the operation of the Generating Facility.

8.2.6 Power Delivery Standard

Power delivered to the Interconnection Facilities from the Generating Facility shall be at what is commonly designated as three-phase alternating current, at 60 Hertz, and at the normal voltage specified in Appendix B. Normal variations in voltage and frequency shall be permitted pursuant to Standard Operating Procedures and Good Utility Practice.

8.3 No Parallel Operation Without Approval

If OMEC's Generating Facilities have not been operated for one year or more, OMEC shall not operate its Generating Facility in parallel with the SDG&E Electric System until the Generating Facility has been inspected by an authorized SDG&E representative and final written approval has been received from SDG&E, which approval shall not be unreasonably withheld. Any such inspection and approval shall not be deemed or construed as any representation, assurance, guarantee or warranty by SDG&E of the safety, durability, reliability, or compliance as required in Section 8.2, of the Generating Facility and its control, protective and safety devices or the quality of power produced by the Generating Facility.

8.4 OMEC Must Implement Operating Guidelines

OMEC shall implement the Standard Operating Procedures, including applicable guidelines included in the SDG&E Interconnection Handbook, *provided* that such SDG&E Interconnection Handbook is maintained by SDG&E in accordance with applicable requirements of each Governmental Authority and the ISO, as applicable. OMEC shall ensure that its operating personnel are familiar with the procedures and guidelines in this IA.

8.5 Obligation to Maintain Power Factor and Voltage

OMEC understands that the voltage of SDG&E's Electric System is not automatically regulated and may vary widely. The voltage levels will fluctuate depending on plant operation and SDG&E Electric System conditions. In accordance with the SDG&E Interconnection Handbook, OMEC shall install, operate, and maintain the necessary equipment to maintain proper power factor and voltage at the Point(s) of Interconnection. OMEC shall specify the power factor range of operation at the generator terminals to meet or exceed a minimum bandwidth from 0.90 lag (producing reactive power) to 0.95 lead (absorbing reactive power) at rated power output. Unless otherwise instructed by the ISO or SDG&E, the Generating Unit must be operated in an automatic voltage regulating mode being immediately responsive to changes in transmission voltage and shall follow the voltage set point provided by the Designated SDG&E Switching Center.

8.6 Emergency Disconnection and Interruption Protective Devices

In an Emergency, OMEC agrees to expeditiously open the Disconnect Device upon notification from the Designated SDG&E Switching Center that such action is needed, pursuant to Standard Operating Procedures and Good Utility Practice, to preserve reliability or prevent unsafe conditions. OMEC utilizes protective devices in order to protect its Generating Facility. OMEC is to maintain these devices in reasonable working order. In the event of interruption, the Generating Facility will be restarted consistent with Good Utility Practice.

8.7 Clearance Point Request by SDG&E

Consistent with the requirements for responding to an Emergency or undertaking work, as provided in Sections 7.2.1.1, 7.3.1, 7.3.3 and 8.6, OMEC must open its Disconnect Device if SDG&E reasonably requests a Clearance Point. A qualified SDG&E employee will observe that the Disconnect Device is open, lock it with a SDG&E lock, and attach a filled-out "Hold-Out" tag to indicate it is a Clearance Point.

8.8 Routine Tests and Hold Authorizations

When conducting a routine test or a Hold Authorization, OMEC agrees to follow the procedures outlined in Appendix B.

8.9 Obligation to Maintain Insurance

The obligations of the Parties to maintain insurance are set out in Appendix A.

8.10 Obligation to Provide Access Rights

8.10.1 SDG&E Access Rights

OMEC agrees to grant SDG&E all reasonably necessary easements and rights-of-way, including adequate and continuing access rights, on property of OMEC to transport, install, operate, maintain, replace, and remove Interconnection Facilities and any equipment that may be provided, owned, operated and maintained by SDG&E on the property of OMEC. OMEC agrees to grant such easements and rights-of-way to SDG&E at no cost and in a form satisfactory to SDG&E and capable of being recorded in the office of the County Recorder.

8.10.2 [Reserved]

8.11 Review and Disclaimer

Review, if any, by SDG&E of the design, construction, operation, or maintenance of the Generating Facility, including modifications thereto, shall not constitute any representation as to the economic or technical feasibility, operational capability, or reliability of such facilities. OMEC shall in no way represent to any Third Party that any such review by SDG&E of such facilities, including but not limited to any review of the design, construction, operation, or maintenance of such facilities by SDG&E,

is a representation by SDG&E as to the economic or technical feasibility, operational capacity, or reliability of such facilities. OMEC is solely responsible for economic and technical feasibility, operational capability, and reliability of OMEC's Generating Facility.

8.12 OMEC Right to Firm Transmission Rights

In the event that the ISO or any Governmental Authority determines that the Otay Mesa-Miguel transmission line is congested and, as a result, or for any other reason, institutes interzonal congestion management (or some other similar mechanism) on this line, OMEC shall receive, to the extent legally permissible, firm transmission (or similar) rights for any increase in the transmission capacity on the line created by the Interconnection Facilities pursuant to the IFA, and SDG&E hereby consents to the grant of such firm transmission (or similar) rights and agrees to take all steps reasonably necessary to assist OMEC in obtaining such firm transmission (or similar) rights.

8.13 Obligation to Make Payments

8.13.1 Operation and Maintenance Charge.

Commencing with the in-service date for the Interconnection Facilities of September 1, 2008 or such other date as may be established pursuant to the terms of the IFA ("In-Service Date"), SDG&E shall bill annually, and OMEC shall pay over the Term of this IA, a separate operation and maintenance charge to compensate SDG&E for the operation, maintenance, and applicable taxes associated with the Interconnection Facilities that are direct assignment facilities as described in Appendix E and not related to network upgrades in an amount equal to: the currently effective Generation Interconnection O&M Fixed Charge Rate set forth in Appendix XI of SDG&E's Transmission Owner Tariff (as such rate may be modified from time to time) times the following amount: The installed Cost of the direct assignment Interconnection Facilities. An example calculation of the formula is attached as Appendix G. In addition, OMEC shall pay SDG&E as part of the operation and maintenance charges all costs incurred by SDG&E after the In-Service Date associated with SDG&E's obligations under Sections 5.1.6.1 and 5.1.6.2 of the IFA.

8.13.2 Other Charges

In accordance with the billing and payment procedures in Section 15, SDG&E shall issue to OMEC and OMEC shall pay a monthly bill for any reasonable costs that are incurred by SDG&E as set forth in this IA.

8.14 Maintenance of Tax Exempt Status for Local Furnishing Bonds

8.14.1 OMEC represents and warrants that it will comply with all applicable and lawful tariffs, protocols, orders, and directives of the ISO issued to protect the exclusion from gross income of interest on SDG&E's Local Furnishing Bonds.

8.14.2 SDG&E represents and OMEC agrees that monetary damages by themselves will be inadequate to compensate SDG&E for OMEC's breach of its obligations under Section 8.14.1. Based on this representation, OMEC agrees that SDG&E is entitled to equitable relief by way of injunction or otherwise, if it breaches or threatens to breach its obligations under Section 8.14.

9. OPERATING COMMUNICATIONS AND NOTIFICATIONS

9.1 Designated Representatives

The Parties shall provide for operating communications through their respective designated representatives as follows:

SDG&E
Operations Shift Supervisor

OMEC
Operations Manager

Mission Control Center
Tel: (619) 296-5411
Fax: (619) 683-3291

OMEC
Tel: (619) 710-8700
Fax: (619) 710-8750

9.2 Communication with the Designated SDG&E Switching Center

9.2.1 Advance Notice of Generating Unit Synchronizing Events

OMEC shall advise the Designated SDG&E Switching Center in advance of its intent to synchronize a Generating Unit and coordinate with SDG&E in conformance with the Standard Operating Procedures and Good Utility Practice. The Designated SDG&E Switching Center must provide a permissive close control signal before the respective generator breaker close circuit is enabled, allowing OMEC to synchronize and close the generator breaker.

9.2.2 Maintenance of Operating Communications With SDG&E

OMEC shall maintain operating communications with the Designated SDG&E Switching Center. The operating communications shall include, but not be limited to, advising the Designated SDG&E Switching Center promptly, and whenever possible in advance of any separation from the SDG&E Electric System and any scheduled and unscheduled shutdowns, equipment clearances, and changes in levels of operating voltage or power factors. Such communications shall also include daily operating reports as provided below in Section 10.

9.2.3 Prompt Notification of Changes

OMEC promptly shall notify the Designated SDG&E Switching Center of, and any changes in, the following:

- (a) The current names and 24-hour phone numbers of the personnel responsible for operating and maintaining the Generating Facility;
- (b) Any Emergency situation or any request that SDG&E de-energize a portion of the SDG&E Electric System or the Interconnection Facilities;
- (c) Any changes in the mechanical or electric condition of the Generating Facility or Generator Step-up Facilities that may materially affect the reliability of either the Generating Facility or SDG&E System Integrity;
- (d) Immediately upon discovery, any misoperation or inoperable condition of a SDG&E-required interconnection relay or circuit breaker;
- (e) Immediately upon discovery, any circuit breaker that was operated by a SDG&E-required interconnection relay, along with the relay targets that caused the circuit breaker to operate; and
- (f) Plans to manually separate from the SDG&E Electric System or the Interconnection Facilities and the times of actual manual parallels and separations. Emergency separations shall be reported as soon as conditions permit.

9.3 Oral Communications

All oral operating communications shall be conducted through the Designated SDG&E Switching Center. OMEC agrees to maintain 24 hour direct phone service so that SDG&E can give instructions to OMEC or its designated operator and have alternate communication equipment that will be used in the event direct phone service is interrupted.

9.4 Telemetry Requirements

OMEC shall telemeter real-time information pursuant to the requirements of the SDG&E Interconnection Handbook; *provided* that, if such telemetered information is available in reasonably suitable form to SDG&E from the ISO, OMEC shall be relieved of its obligation to provide telemetered information directly to SDG&E. When telemetered real-time information is required for SDG&E to bill OMEC for service taken under separate SDG&E tariffs, upon SDG&E's request, OMEC shall request the ISO to provide SDG&E with read-only passwords and other information necessary for SDG&E to access OMEC's meters.

9.5 Operating Agreements

The Parties may enter into a separate agreement describing specific operating procedures regarding the Generating Facility.

10. OPERATION AND MAINTENANCE OF GENERATING FACILITY AND GENERATOR STEP-UP FACILITIES

10.1 Daily Operating Log

OMEC shall keep a written daily operations log for the Generating Facility. The log shall include information on unit availability, maintenance outages, circuit breaker trip operations, and any significant events related to operations of the Generating Facility.

10.2 Power Factor and Voltage Instructions

OMEC will receive, from time to time, voltage set-point (or plant power factor) instructions from the Designated SDG&E Switching Center. OMEC shall operate the Generating Facility to maintain the specified voltage set-point (or plant power factor). If OMEC is unable to maintain the specified voltage set-point (or plant power factor), it shall promptly notify the Designated SDG&E Switching Center.

10.3 Daily Operating Report

OMEC shall electronically transmit a daily report including information required by Section 10 to the Designated SDG&E Switching Center; *provided*, that OMEC shall telephone that information daily to the Designated SDG&E Switching Center Representative as provided in Section 9.1 upon receiving notice that the electronic data transmission is not being correctly received.

10.4 Maintenance Notice

Under normal conditions, OMEC shall give as much reasonable advance notice as possible (a minimum of 5 Business Days) to the Designated SDG&E Switching Center when planning to perform work that may affect the SDG&E Electric System or the Interconnection Facilities. At a minimum, the notice shall include:

- (a) Nature of the work to be performed;
- (b) Date and time the work will begin;
- (c) Date and time the work will be completed;
- (d) Apparatus to be cleared and the Clearance Points required;

- (e) Name and telephone number of the person in charge of the work; and
- (f) Whether or not protective grounds will be installed.

10.5 Maintenance on Facilities Energized by SDG&E

10.5.1 OMEC May Perform Certain Work

If OMEC wishes to perform work on its own facilities which would normally be energized by SDG&E-controlled voltage source(s), OMEC may request that SDG&E open, lock and tag SDG&E's associated disconnect device to isolate OMEC's facilities from SDG&E voltage source(s). SDG&E will also establish the disconnect device(s) as an open Clearance Point and install "Hold-Out" tags as presently set forth in Section 13.1 of SDG&E Standard Operating Procedures).

10.5.2 OMEC Responsible for its Equipment and Work

SDG&E is not responsible for OMEC's equipment energized by the Generator Step-up Facilities or by any other means. OMEC agrees that any work it performs is at its own risk. OMEC shall take all necessary steps to ensure that work is conducted consistent with Good Utility Practice.

10.6 Coordinated Maintenance Planning

To the extent possible, the Parties will cooperate and coordinate on planning of scheduled outages for the Generating Facility and the Interconnection Facilities in accordance with the Standard Operating Procedures and Good Utility Practice.

10.7 Special Protective System

For certain contingency situations on the SDG&E Electric System, the generation output from the Generating Facility could result in an overload condition, a voltage violation, or instability on the electric facilities in the area. To remedy such a contingency condition and maintain system reliability OMEC consents or shall cause consent to be given to SDG&E to initiate a Special Protective System ("SPS") as set forth in Appendix E hereof. Depending upon the contingency that occurs, the SPS may cause the instantaneous tripping or run back of one or more of the units designated as the Generating Facility. The SPS will remain in effect for the minimum time deemed necessary by the ISO working in conjunction with SDG&E and OMEC to remedy such a contingency and restore system reliability. SDG&E may install, or request OMEC to install at SDG&E's sole expense, automatic devices on the Generating Facility that SDG&E determines are required to initiate and maintain a SPS.

The Designated SDG&E Switching Center shall notify OMEC's Designated Representative whenever a related SPS scheme is armed or disarmed, or provide OMEC with a planned schedule for such arming and disarming in a format that is suitable to the Parties.

A table of remedial actions that result from the application of the SPS is set forth in Section E.3.2 of Appendix E. Appendix E may be modified from time to time by SDG&E after consultation with OMEC and the ISO.

11. METERING

11.1 Delivery Meters

All real and reactive power deliveries to the SDG&E Electric System from OMEC's Generating Facility shall be metered at each Point(s) of Interconnection with meters meeting all of the requirements of the ISO Tariff. In addition, meters and metering equipment shall meet the requirements of the SDG&E Interconnection Handbook. Any conflicts with regard to metering standards that may arise among this IA, the SDG&E Interconnection Handbook and the ISO Tariff shall be resolved consistent with the ISO Tariff. Power deliveries shall be metered at voltage specified for the Point(s) of Interconnection in Appendix E.2.1.

11.2 Requirements for Meters and Meter Maintenance

The Responsible Meter Party's metering equipment presently located at the Generating Facility outside of the Switchyard shall measure and record real and reactive power flows and shall be capable of recording flows in both directions. Such "in" and "out" bi-directional meters shall be designed to prevent reverse registration and shall measure and continuously record such deliveries. Meters, metering transformers and devices shall be maintained and tested annually by the Responsible Meter Party in accordance with applicable metering maintenance and testing standards and guidelines.

11.3 Meter Access

11.3.1 Access to Meter-Related Facilities

The Party that owns meter-related facilities, such as metering transformers and devices, shall grant reasonable access to allow the other Party to use such meter-related facilities for the other Party's own meters; *provided* that the other Party shall compensate the owning Party for actual costs incurred related to such access.

11.3.2 Reading and Maintaining Meters

If required, the other Party shall grant the Responsible Meter Party such reasonable access to the other Party's facilities as may be required for meter reading and/or the proper operation and maintenance of all revenue metering facilities.

12. MAINTENANCE OF INTERCONNECTION EQUIPMENT OWNED BY OMEC

12.1 Modifications to the Interconnection or Protection Devices

OMEC agrees to obtain SDG&E's prior written approval before modifying its existing interconnection or protection devices that have previously been approved by SDG&E; *provided*, SDG&E's approval shall not be unreasonably withheld or delayed. Modifications include, but are not limited to, the application of new or revised settings. OMEC shall notify SDG&E in writing, at least 60 calendar days prior to such modification, unless lesser time is necessitated under the circumstances in conformance with Good Utility Practices.

12.2 [Reserved]

12.3 Relay Requirements

12.3.1 Relays

Before the Generating Facility operates in parallel with SDG&E, all SDG&E-required interconnection relays shall be verified and made available for review by SDG&E. If a relay is removed for maintenance or repair, the Designated SDG&E Switching Center shall be notified. If the relays are removed for any reason, SDG&E reserves the right to inspect the Generating Facility before parallel operation may resume.

12.3.2 Nameplates

Lamicaid or equivalent forms of nameplates or labels shall be installed by OMEC adjacent to all SDG&E-required interconnection relays. Each relay nameplate shall include the device number and the relay's function.

13. REFERENCES

The following reference materials, all of which are subject to revision or being superseded from time to time in SDG&E's sole discretion, are available for use by OMEC and its operating personnel. Copies may be requested from the Designated SDG&E Switching Center:

13.1 SDG&E Standard Operating Procedures: ATP7005, as it may be modified or superseded from time to time in SDG&E's sole discretion, is a document describing approved SDG&E clearance procedures and OCP7505, as it may be modified or superseded from time to time in SDG&E's sole discretion, is a document describing instructions for obtaining clearances.

13.2 SDG&E Interconnection Handbook: A handbook, developed by SDG&E pursuant to TCA Section 10.3.1 that is entitled "Technical Standards For Load And Non-SDG&E Owned Generator Interconnections", describing technical requirements for wholesale generators and loads connected to the SDG&E Electric System, as it may be modified or superseded from time to time in SDG&E's sole discretion. SDG&E's standards contained in the handbook are, and shall be maintained, consistent with Good Utility Practice and Applicable Reliability Criteria. Where there is conflict or inconsistency between the terms and conditions of this IA and the SDG&E Interconnection Handbook, the terms and conditions of this IA shall apply.

14. SIGNIFICANT REGULATORY CHANGE

14.1 Notification

If, at any time during the term of this IA, either Party becomes aware of a Significant Regulatory Change (whether actual or proposed), and if such change may reasonably be expected to materially affect either Party's or both Parties' obligations or operations under this IA, such Party shall provide written notice to the other Party promptly, but no later than 30 calendar days after becoming aware of such Significant Regulatory Change. The notice shall contain a description of the Significant Regulatory Change and its impact on this IA, including expected time schedules. If the Party giving notice believes that it will be necessary to amend this IA to address the anticipated change, then the Parties shall proceed timely to meet and confer in accordance with Section 14.2 hereof and shall use reasonable efforts to timely negotiate an appropriate amendment to this IA.

14.2 Amendment of Agreement

14.2.1 Meet to Discuss Need for Amendment

Following notification under Section 14.1, the Parties shall meet to discuss whether an amendment to this IA is necessary to address the Significant Regulatory Change. Such amendment, if any, shall be limited in scope to what is necessary to allow this IA to accommodate the Significant Regulatory Change identified in the notice issued pursuant to Section 14.1.

14.2.2 Process to Amend Agreement

If the Parties agree that such an amendment to this IA is necessary, the Parties will proceed to negotiate in good faith such amendment. If the Parties have not reached agreement within 60 calendar days of the date of the meeting conducted in accordance with Section 14.2.1, any unresolved issues shall be resolved through dispute resolution procedures set forth in Section 16.10. Notwithstanding the above, if any issues remain unresolved as of 90 calendar days before the Significant Regulatory Change is scheduled to take place or if the Significant Regulatory Change is anticipated to take place at

an earlier date, then with respect to the unresolved issues, (i) SDG&E may, but is not required to, unilaterally file an amendment to this IA with FERC pursuant to Section 205 of the FPA, *provided* that OMEC shall retain and may exercise its rights under the FPA to protest or oppose such filing, and (ii) OMEC may, but is not required to, unilaterally file a complaint under Section 206 of the FPA asking FERC to amend this IA, and SDG&E may exercise its right to protest or oppose such filing.

14.2.3 Inability to Agree That Amendment Is Necessary

If within 30 calendar days of the date on which notice was provided in accordance with Section 14.1 hereof, the Parties cannot agree that an amendment to this IA is necessary to allow this IA to accommodate the Significant Regulatory Change, they shall submit such dispute to resolution proceedings pursuant to Section 16.10 (Dispute Resolution); *provided*, however, that if such dispute is not resolved as of 90 calendar days before the Significant Regulatory Change is scheduled to take place or a Party reasonably believes that the Significant Regulatory Change is anticipated to take place at an earlier date, then (i) SDG&E may, but is not required to, unilaterally file an amendment to this IA with FERC, *provided* that OMEC shall retain and may exercise its rights under the FPA to protest or oppose such filing, and (ii) OMEC may, but is not required to, unilaterally file a complaint under Section 206 of the FPA asking FERC to amend this IA, and SDG&E may exercise its right to protest or oppose such filing.

15. BILLING AND PAYMENT

15.1 Billing

SDG&E shall bill OMEC, and OMEC shall bill SDG&E, for any costs contemplated pursuant to the IA. OMEC shall pay SDG&E for such costs at:

San Diego Gas & Electric
P.O. Box 25110
Santa Ana, California 92799-5110

SDG&E shall pay OMEC for such costs at:

Attn: Accounting Department
Otay Mesa Energy Center, LLC
c/o Calpine Corporation
P.O. Box 11749
Pleasanton, CA 94588

A Party may change the place where payment is made by giving the other Party 30 calendar days advance notice thereof as provided in Section 16.21.

15.2 Payment Due Date

All bills shall be prepared and submitted on or after the first Business Day of each calendar month. The payment of any bill shall be due and must be received by the billing party not later than the 30th calendar day following the day on which the billed party receives the bill or, if that 30th day is a Saturday, Sunday or legal holiday, the next Business Day. Such date shall be referred to as the "Payment Due Date". A bill shall be deemed delivered on the third Business Day after the postmarked date unless a copy of the bill is delivered by electronic facsimile, in which case it shall be deemed delivered on the same day. If a party has a question concerning a bill, it may immediately review the back-up data used in preparation of the bill which both parties shall retain for 3 years from the last day of each calendar year and following final payment under this IA.

15.3 Estimated Bills

If charges under this IA cannot be determined accurately for preparing a bill, a Party shall use its best estimates in preparing the bill and such estimated bill shall be paid by the other Party. Any estimated charges shall be labeled as such and the billing party shall, upon request, document the basis for the estimate used. Estimated bills shall be prepared and paid in the same manner as other bills under this IA. The billing party shall prepare an adjusted bill pursuant to Section 15.5 when final and complete billing information becomes available.

15.4 Disputed Bills

If a Party disputes all or any portion of a bill, the billed Party shall pay the undisputed amount on or before the Payment Due Date. The billed Party shall, on or before the Payment Due Date, notify the billing party, in writing, of the amount in dispute and the specific basis for the dispute. The Parties shall endeavor to resolve any billing dispute within 30 calendar days of the billing party's receipt of the billed party's notice of a dispute (or such extended period as the Parties may establish). If the Parties cannot agree, either Party may initiate dispute resolution pursuant to Section 16.10 (Dispute Resolution). A dispute between either Party and any Third Party shall not be a proper basis for withholding payment. Payments to the billing Party of the billed Party's obligations arising under this IA are not subject to any reduction, whether by offset, payments into escrow, or otherwise, except for routine adjustments or corrections as may be agreed to by the Parties or as expressly provided in this IA.

15.5 Adjusted Bills

When final and complete billing information becomes available and a charge is determined accurately or billing errors are identified and corrected, the billing Party shall promptly prepare and submit an adjusted bill to the billed Party, and any additional payments by the billed Party shall be made in accordance with the provisions of this Section 15.5. Refunds by the billing party shall be paid to the billed Party not later than 30 calendar days after the date of the adjusted bill. All adjustments or corrections of bills under this IA shall be subject to the interest provisions of Sections 15.6 and 15.7.

15.6 Interest on Adjusted Bills

Interest on the true-up portion of a bill to be paid by either Party shall accrue from the Payment Due Date of the applicable bill.

15.7 Interest on Unpaid Bills

Any amount due under this IA which is not received by the Payment Due date shall accrue interest from the Payment Due Date prescribed in Section 15.2 until the date payment is received by the billing Party. The interest amount shall be determined using the interest rate applicable to any amount due during a given month. The rate of interest ("Interest Rate") shall be the rate per annum calculated in accordance with 18 C.F.R. § 35.19a of the FERC's Regulations. The Interest Rate shall not exceed the maximum interest rate permitted under California law. Interest shall be calculated for the period during which the payment is overdue or the period during which the refund is accruing interest.

15.8 Refunds

If the results of dispute resolution pursuant to Section 16.10 include a determination that the amount due from the billed Party was less than the amount paid by that Party, the refund by the billing Party to the billed Party shall include interest at the Interest Rate for the period commencing from the date the billed Party's overpayment was received by the billing Party and ending on the date the refund is paid to the billed Party. Likewise, an additional payment by the billed Party to the billing Party shall include interest at the Interest Rate for the period commencing with the original Payment Due Date to the date the billed Party's additional payment is received by the billing Party.

16. GENERAL PROVISIONS

16.1 Appendices Included

The following Appendices to this IA, as they may be revised from time to time by written agreement of the Parties or by order of FERC, are attached hereto and are incorporated by reference as if fully set forth herein:

Appendix A - Insurance

Appendix B - Routine Test Guidelines and Hold Authorization Procedures

Appendix C - Dispute Resolution and Arbitration

Appendix D - Elections Made By OMEC

Appendix E - Generating Facility Information and Interconnection Capacity

Appendix F - SDG&E Interconnection Handbook Waivers

Appendix G - Sample Operation and Maintenance Charge Calculation

16.2 Auditing

Upon reasonable advance written notice each Party shall have the right to audit, at its own expense and during normal business hours, the relevant records of the other Party (including the relevant records of OMEC's meters) for the limited purpose of determining whether the other Party is meeting its obligations under this IA. Such audits shall be limited to only those records reasonably required to determine compliance with this IA, and each Party agrees to disclose the information obtained in such audit only to those persons, whether employed by such Party or otherwise, that are directly involved in the administration of this IA. Each Party agrees that under no circumstances will it use any information obtained in such an audit for any commercial purpose or for any purpose other than assuring enforcement of this IA. Each Party's right to audit shall extend for a period of 3 years from the last day of each calendar year and following final payment under this IA. Records and related back-up data shall be maintained for a period of 3 years from the last day of each calendar year and following final payment under this IA to facilitate such audits.

16.3 Adverse Determination or Expansion of Obligations

16.3.1 Adverse Determination

If, after the Effective Date of this IA, FERC or any other regulatory body, agency or court of competent jurisdiction determines that all or any part of this IA, its operation or effect is unjust, unreasonable, unlawful, imprudent or otherwise not in the public interest, each Party shall be relieved of any obligations hereunder to the extent necessary to comply with or eliminate such adverse determination. The Parties shall promptly enter into good faith negotiations in an attempt to achieve a mutually agreeable modification to this IA to address any such adverse determination.

16.3.2 Expansion of Obligations

If, after the Effective Date of this IA, FERC or court of competent jurisdiction orders or determines that this IA should be interpreted, modified, or significantly extended in such a manner that SDG&E or OMEC may be required to incur significant new or different obligations to the other Party not contemplated by this IA, then the Parties shall be relieved of their obligations to the extent lawful and necessary to eliminate the effect of that order or determination, and the Parties shall attempt to renegotiate in good faith the terms and conditions of the IA to restore the original balance of benefits and burdens contemplated by the Parties at the time this IA was made.

16.3.3 Renegotiation

If, within 3 months after an order or decision as described in Sections 16.3.1 and 16.3.2, the Parties either: (i) do not agree that a renegotiation is feasible or necessary; or (ii) the Parties cannot agree to amend or supersede this IA, then: (a) either Party may submit the dispute for resolution in accordance with procedures set forth in Section 16.10; or (b) SDG&E may unilaterally file a replacement interconnection agreement with FERC pursuant to Section 205 of the FPA, with OMEC reserving the right to protest such replacement interconnection agreement. The effect of such termination, and the rights of the Parties thereunder, shall be as provided in Section 6.2.

16.4 Transfers and Assignments

16.4.1 Consent Required

Other than the intended assignment by Calpine to Otay Mesa Energy Center, LLC as contemplated by Section 2.5 and consented to by SDG&E therein, no transfer or assignment of either Party's rights, benefits or duties under this IA shall be effective without the prior written consent of the other Party, which consent shall not be withheld unreasonably or delayed; *provided*, however, such prior written consent is not required for (A) assignments stemming from interests that arise by reason of any deed of trust, mortgage, indenture or security agreement heretofore granted or executed by either Party or to be executed by OMEC in connection with its financing or any subsequent refinancing; (B) a transfer or assignment by OMEC to an affiliate in connection with such financing or refinancing; or (C) an assignment by SDG&E to an affiliate. Any attempted or purported transfer made other than in accordance with this Section 16.4.1, either voluntarily or by operation of law, shall be void and of no effect.

16.4.2 Assignee's Continuing Obligation

Any successor to or transferee or assignee of the rights or obligations of a Party, whether by voluntary transfer, judicial sale, foreclosure sale or otherwise, shall be subject to all terms and conditions of this IA to the same extent as though such successor, transferee, or assignee were an original Party.

16.5 Captions

All indices, titles, subject headings, section titles and similar items are provided for the purpose of reference and convenience and are not intended to affect the meaning of the contents or scope of the IA. All references in this IA to sections are sections of this IA, unless otherwise indicated.

16.6 Construction of the Agreement

Each Party and their respective counsel have contributed to the preparation of this IA. Accordingly, no provision of this IA shall be construed against any Party because that Party or its counsel drafted the provision.

16.7 Control and Ownership of Facilities

The SDG&E Electric System shall at all times be and remain in the exclusive ownership, possession and control of SDG&E, and nothing in the IA shall be construed to give OMEC any right of ownership, possession or control of all or any portion of the SDG&E Electric System. All facilities installed hereunder shall, unless otherwise agreed by the Parties, at all times be and remain the property of SDG&E, notwithstanding that they may be affixed to premises owned or leased by or under license to OMEC.

16.8 Cooperation and Right of Access and Inspection

Each Party shall give to the other all reasonably necessary permission to enable it to perform its obligations under the IA. Each Party shall give the other Party the right to have its agents, employees and representatives, when accompanied by the agents, employees and representatives of the other Party, enter its premises at reasonable times and in accordance with reasonable rules and regulations

for the purpose of inspecting the property and equipment of the Party in a manner which is reasonable for assuring the performance of the Parties' obligations under the IA.

16.9 Default

16.9.1 A Party will be in default under the IA if, at any time:

- (A) the Party fails to make any payment due the other Party in accordance with this IA and does not make such payment to the other Party within 30 calendar days after receiving written notice from the other Party of such failure; or**
- (B) (1)(a) the Party fails in any material respect to comply with, observe or perform any term or condition of this IA; (b) any representation or warranty made herein by the Party fails to be true and correct in all material respects; or (c) the Party fails to provide to the other Party reasonable written assurance of its ability to perform fully and completely any of its material duties and responsibilities under this IA within 30 calendar days after receiving any reasonable request for such assurances from the other Party; and**
(2)(a) the Party fails to correct or cure the situation within 30 calendar days after receiving written notice from the other Party, or (b) if the situation cannot be completely corrected or cured within such thirty-day period, the Party fails to either (i) commence diligent efforts to correct or cure the situation within such thirty-day period or (ii) completely correct or cure the situation within 90 calendar days after receiving written notice from the other Party.

16.9.2 Remedies Upon Default. If a Party defaults under this IA in accordance with this Section 16.9, the other Party may (A) act to terminate this IA by providing written notice of termination to the defaulting Party, and/or (B) take whatever action at law or in equity as may appear necessary or desirable to enforce the performance or observance of any rights, remedies, obligations, agreements, or covenants under this IA. Any termination sought under this Section 16.9.2 shall not take effect until FERC either authorizes any request by either Party seeking termination of this IA or accepts any written notice of termination.

16.9.3 Performance of Other Party's Obligations. If either Party (the "Defaulting Party") fails to carry out its obligations under this IA and such failure could reasonably be expected to have a material adverse impact on the SDG&E Electric System, the Interconnection Facilities, the Generating Facility, or the regional network, the other Party, following 10 calendar days prior written notice (except in cases of an Emergency, in which case only such notice as is reasonably practicable in the circumstances is required), may, but will not be obligated to, perform the obligations of the Defaulting Party (including, without limitation, maintenance obligations), in which case the Defaulting Party will, upon presentation of an invoice therefor, reimburse the other Party for all actual and reasonable costs and expenses incurred by it in performing said obligations of the Defaulting Party (including, without limitation, costs associated with its employees and the costs of appraisers, engineers, environmental consultants and other experts retained by said Party in connection with performance of the Defaulting Party's obligations), together with interest calculated in accordance with Section 15.7.

16.9.4 Remedies Cumulative. No remedy conferred by any of the provisions of this IA is intended to be exclusive of any other remedy and each and every remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by

statute or otherwise. The election of any one or more remedies shall not constitute a waiver of the right to pursue other available remedies.

16.10 Dispute Resolution

The Parties shall make best efforts to resolve all disputes arising under this IA expeditiously and by good faith negotiation. Where this IA specifically calls for resolution of disputes pursuant to this Section 16.10, the Parties shall pursue dispute resolution according to the procedures set forth in Appendix C. With respect to disputes which are not resolved through negotiation and which relate to "rates" as defined in Section 16.23.1 or which relate to the FPA as described in Section 16.23.2, either Party may initiate an action at FERC to resolve such "rate" and other FPA-related disputes. With respect to disputes which are not resolved through negotiation and which this IA does not specify are to be resolved in accordance with the dispute resolution procedures set forth in Appendix C, and which are not subject to exclusive jurisdiction before the FERC, a Party may initiate an action in a court of competent jurisdiction. In all circumstances the procedures in Appendix C may be used to resolve disputes upon agreement by both Parties. In the event that a matter is submitted to arbitration under Appendix C, the Parties shall be bound by the determination of the arbitrator(s). In the event the Parties are unable to resolve the dispute by application of the procedures in Appendix C, a Party may pursue its claim, if any, in any other appropriate forum.

16.11 Governing Law

This IA shall be interpreted, governed by and construed under the laws of the State of California, as if executed and to be performed wholly within the State of California.

16.12 Indemnity

16.12.1 Definitions

As used in this Section 16.12, with initial letters capitalized, whether in the singular or the plural, the following terms shall have the following meanings:

16.12.1.1 Accident - Personal injury, death, property damage, or economic loss which:

- (a) is sustained by a Third Party ("Claimant");**
- (b) arises out of delivery of, or curtailment of, or interruption to electric service, including but not limited to abnormalities in frequency or voltage; and**
- (c) results from either or both of the following:**
 - (i) engineering, design, construction, repair, supervision, inspection, testing, protection, operation, maintenance, replacement, reconstruction, use, or ownership of either the SDG&E Electric System, the Interconnection Facilities, or OMEC's Generating Facility; or**
 - (ii) the performance or non-performance of either Party's obligations under the IA.**

16.12.1.2 Indemnitee — A Party defined in Section 16.12.2(b).

16.12.1.3 Indemnitor — A Party defined in Section 16.12.2(b).

16.12.2 Indemnity Duty

If a Claimant makes a claim or brings an action against a Party seeking recovery for loss, damage, costs or expenses resulting from or arising out of an Accident against a Party, the following shall apply:

- (a) That Party shall defend any such claim or action brought against it, except as otherwise provided in this Section 16.12.2.
- (b) A Party ("Indemnitor") shall hold harmless, defend and indemnify, to the fullest extent permitted by law, the other Party, its directors or members of its governing board, officers and employees ("Indemnitees"), upon request by the Indemnitee, for claims or actions brought against the Indemnitee allegedly resulting from Accidents caused by acts or omissions of the Indemnitor. In so doing, the Indemnitor shall not settle or consent to the entry of judgment in an action without the consent of the Indemnitee, which consent shall not be unreasonably withheld.
- (c) No Party shall be obligated to defend, hold harmless or indemnify the other Party, its directors or members of its governing board, officers and employees for Accidents resulting from the latter's negligence or willful misconduct.
- (d) If a Party successfully enforces this indemnity, the Party against which enforcement is required shall pay all costs, including reasonable attorneys' fees and other reasonable litigation expenses, incurred in such enforcement.

16.13 Interpretation

This IA is not intended to modify any SDG&E tariff or rule filed with the FERC. In case of conflict among this IA and any SDG&E or ISO Tariff, the ISO Tariff shall govern. This IA represents the entire understanding between the Parties hereto relating to the parallel operation of the Generating Facility with the SDG&E Electric System, and supersedes any and all prior proposals or agreements, whether written or oral, that may exist between the Parties, *provided* that the IFA governs with respect to the initial installation and construction of the Interconnection Facilities. Where there is conflict or inconsistency with the express terms in this IA and any documents referenced by this IA excluding the above referenced SDG&E and ISO tariffs, the terms of this IA shall supersede such conflicting terms. If there is a conflict between the express terms in this IA and the IFA, the terms of this IA shall supersede such conflicting terms as to matters related to the operation and maintenance of the Interconnection Facilities and the Generating Facility and the right of SDG&E to install additional facilities.

16.14 Judgments and Determinations

When the terms of this IA provide that an action may or must be taken, or that the existence of a condition may be established based on a judgment or determination of a Party, such judgment shall be exercised or such determination shall be made reasonably and in good faith, and where applicable in accordance with Standard Operating Procedures or Good Utility Practice, and shall not be arbitrary or capricious.

16.15 Liability

16.15.1 To Third Parties

Nothing in this IA shall be construed to create any duty to, any standard of care with reference to, or any liability to, any Third Party.

16.15.2 Between the Parties

Except for its willful misconduct or negligence, or with respect to breach of this IA, or with respect to the indemnity duty under Section 16.12, no Party, nor its directors or members of its governing board, officers, employees or agents shall be liable to another Party for any loss, damage, claim, cost, charge, or expense arising from or related to this IA. Notwithstanding the foregoing, neither Party, nor its directors or members of its governing board, officers, employees or agents shall be liable to the other Party for any consequential, special or indirect damages.

16.15.3 Protection of a Party's Own Facilities

Each Party shall be responsible for protecting its facilities from possible damage by reason of electrical disturbances or faults caused by the operation, faulty operation, or non-operation of another Party's facilities, and such other Party shall not be liable for any such damage so caused.

16.15.4 Liability for Interruptions

Neither Party shall be liable to the other, and each Party hereby releases the other and its directors, officers, employees and agents from and indemnifies them, to the fullest extent permitted by law, for any claim, demand, liability, loss or damage, whether direct, indirect or consequential, incurred by either Party, which results from the interruption or curtailment of power flows on or Ancillary Services to be provided through, the Interconnection Facilities undertaken pursuant to (i) this IA, (ii) Standard Operating Procedures and Good Utility Practice, or (iii) ISO directives.

16.16 Modification

This IA may be amended or modified only by a written instrument signed by the authorized representatives of both Parties, except as may otherwise herein be expressly provided.

16.17 No Dedication of Facilities

Any undertaking by either Party under any provision of this IA is rendered strictly as an accommodation and shall not constitute the dedication by OMEC of any part or all of the Generating Facility or by SDG&E of any part or all of the SDG&E Electric System to the other, the public, or any Third Party. Any such undertaking by any Party under a provision of, or resulting from, this IA shall cease upon the termination of that Party's obligations under this IA.

16.18 No Obligation to Offer Same Service To Others

By entering into this IA to interconnect with OMEC and filing it with FERC, SDG&E does not commit itself to furnish any like or similar undertaking to any other Person.

16.19 No Precedent

This IA establishes no precedent with regard to any other entity or IA. Nothing contained in this IA shall establish any rights to or precedent for other arrangements as may exist, now or in future, between SDG&E and OMEC for the provision of any interconnection arrangements or any form of electric service.

16.20 No Transmission, Distribution or Ancillary Services Provided

Under this IA, SDG&E does not undertake to provide any transmission service, distribution service, or Ancillary Services using any part of the SDG&E Electric System for OMEC or any Third Party, or to act as a Scheduling Coordinator or in any other capacity as an intermediary for OMEC with others. Nothing in this IA shall be construed to preclude OMEC from seeking transmission, distribution, or other services under a separate arrangement with SDG&E, or pursuant to any tariff for such service which SDG&E may have on file with FERC or CPUC, or on the basis of other rights that may exist in law or regulation.

16.21 Notices

Except as provided in Sections 9 and 10 above and in Appendix C, all notices or other communications herein provided to be given or which may be given by either Party to the other shall be deemed to have been duly given if delivered by electronic facsimile transmission with confirmed receipt, or when made in writing and delivered in person or deposited in the United States mail, postage prepaid, certified mail, return receipt requested and addressed as follows:

To SDG&E:

**Grid Operations Services Team Lead
San Diego Gas & Electric Company
P.O. Box 129831 - SD1160
San Diego CA 92112-9831
Phone: 619-725-8688
Fax: 619-683-3291**

To OMEC:

**Otay Mesa Energy Center, LLC
c/o Calpine Corporation
P.O. Box 11749
Pleasanton, CA 94588
Attn: Western Region Executive
Phone: 925-479-6600
Fax: 925-479-7300**

With a Copy to

**Calpine Corporation
50 West San Fernando Street
San Jose, CA 95113
ATTN: General Counsel**

Either Party may change any address or location for notices and other communications by giving notice to the other Party as provided in this Section 16.21.

16.22 Non-waiver

Failure by either Party to enforce any right or obligation with respect to any matter arising in connection with this IA shall not constitute a waiver as to that matter or any other matter.

16.23 Reservation of Rights

16.23.1 Rate Changes

Nothing contained herein shall be construed as affecting in any way the right of SDG&E to unilaterally make application to the FERC for a change in rates under Section 205 of the FPA and pursuant to the FERC's Rules and Regulations promulgated thereunder. OMEC shall have the right to protest and object to such change in rates and otherwise to exercise any and all rights it may have with respect thereto, including its rights under Section 206 of the FPA. Nothing contained herein shall be construed as affecting in any way the right of OMEC to unilaterally make application to the FERC for a change in rates under Section 206 of the FPA. The term "rates" as used herein shall mean all rates, terms and conditions contained in this IA. A change in rates may include, but not be limited to, not only changes in rates and charges but also in the underlying methodology by which such rates and charges are developed.

16.23.2 FPA Disputes

The Parties agree that each Party expressly reserves all of its rights under Sections 202(b) and 210 of the FPA, including the right to seek resolution by FERC of disputes arising under Sections 202(b) and/or 210 of the FPA; *provided*, however, that the Parties may mutually agree to resolve such dispute through procedures set forth in Section 16.10.

16.24 Rules and Regulations

SDG&E and OMEC may each establish and, from time to time, change such reasonable procedures, rules, or regulations as they shall determine are necessary in order to establish the methods of operation to be followed in the performance of this IA; *provided* that any such procedure, rule, or regulation shall not be inconsistent with the provisions of this IA. If a Party objects to a procedure, rule, or regulation established by the other Party, it will notify the other Party and the Parties will endeavor to modify the procedure, rule, or regulation in order to resolve the objection. If the Parties cannot reach agreement, either Party may seek to resolve such dispute through procedures set forth in Section 16.10.

16.25 Severability

If any term, covenant or condition of this IA or its application is held to be invalid as to any person, entity or circumstance, by FERC or any other regulatory body, or agency or court of competent jurisdiction, then such term, covenant or condition shall cease to have force and effect to the extent of that holding. In that event, however, all other terms, covenants and conditions of this IA and their application shall not be affected thereby, but shall remain in full force and effect unless and to the extent that a regulatory agency or court of competent jurisdiction finds that a provision is not separable from the invalid provision(s) of this IA.

16.26 Uncontrollable Force

In the event of the occurrence of an Uncontrollable Force which prevents a Party from performing any of its obligations under this IA such Party shall (i) immediately notify the other Party in writing of such Uncontrollable Force and an estimate of the date on which the Party claiming the existence of an Uncontrollable Force believes the Uncontrollable Force will cease, (ii) not be entitled to suspend performance of any greater scope or longer duration than is required by the Uncontrollable Force, (iii) use commercially reasonable efforts to overcome the effects of such Uncontrollable Force, remedy its inability to perform, and resume full performance hereunder, (iv) keep the other Party apprised of such efforts on a continual basis, and (v) provide written notice of the resumption of performance hereunder. No Party will be considered in default as to any obligation under this IA if prevented from fulfilling the obligation due to the occurrence of an Uncontrollable Force.

16.27. Confidentiality

16.27.1 Confidential Information

- (a) Shall mean any confidential, proprietary or trade secret information of a plan, specification, pattern, procedure, design, device, list concept, policy or compilation relating to the present or planned business of a Party, which is designated in good faith as Confidential by the Party supplying the information, whether conveyed orally, electronically, in writing, through inspection or otherwise, except that the real-time in-plant data, shall be considered Confidential Information without the need for designation. Confidential Information shall include, without limitation, all information relating to a Party's technology, research and development, business affairs, and pricing, and any information supplied by either of the Parties to the other prior to the execution of the IA.

- (b) Each Party will hold in confidence any and all Confidential Information unless (1) compelled to disclose such information by judicial or administrative process or other provisions of law or as otherwise provided for in this IA, or (2) to meet obligations imposed by FERC or by a state or other federal entity or by membership in NERC, the ISO or a regional transmission organization. Information required to be disclosed under (b)(1) or (b)(2) above, does not, by itself, cause any information provided by one Party to the other Party to lose its confidentiality. To the extent it is necessary for either Party to release or disclose such information to a third party in order to perform that Party's obligations herein, such Party shall advise said third party of the confidentiality provisions of the IA and use its best efforts to require said third party to agree in writing to comply with such provisions.
- (c) During the term of the IA, and for a period of three (3) years after the expiration or termination of the IA, except as otherwise provided in this Section 16.27, each Party shall hold in confidence and shall not disclose to any person Confidential Information.
- (d) Each Party shall use at least the same standard of care to protect Confidential Information it receives as it uses to protect its own Confidential Information from unauthorized disclosure, publication or dissemination.

16.27.2 Scope

Confidential Information shall not include information that the receiving Party can demonstrate: (1) is generally available to the public other than as a result of disclosure by the receiving Party; (2) was in the lawful possession of the receiving Party on a non-confidential basis prior to receiving it from the disclosing Party; (3) was supplied to the receiving Party without restriction by a third party, who, to the knowledge of the receiving party, after due inquiry was under no obligation to the disclosing party to keep such information confidential; (4) was independently developed by the receiving party without reference to Confidential Information of the Disclosing Party; (5) is, or becomes, publicly known, through no wrongful act or omission of the receiving Party or breach of this Agreement; or (6) is required, in accordance with Section 16.27.1 of this IA, to be disclosed by any federal or state government or agency or is otherwise required to be disclosed by law or subpoena, or is necessary in any legal proceeding establishing rights and obligations under this IA. Information designated as Confidential Information will no longer be deemed confidential if the Party that designated the information as confidential notifies the other Party that it no longer is confidential.

16.27.3 Order of Disclosure

If a court or a government agency or entity with the right power, and apparent authority to do so requests or requires either Party, by subpoena, oral deposition, interrogatories, requests for production of documents, administrative order, or otherwise, to disclose Confidential Information, that Party shall provide the other Party with prompt notice of such request(s) or requirement(s) so that the other Party may seek an appropriate protective order or waive compliance with the terms of this IA. The notifying Party shall have no obligation to oppose or object to any attempt to obtain such production except to the extent requested to do so by the disclosing Party and at the disclosing Party's expense. If either Party desires to object or oppose such production, it must do so at its own expense. The disclosing Party may request a protective order to prevent any confidential information from being made public.

Notwithstanding the absence of a protective order or waiver, the Party may disclose such Confidential Information which, in the opinion of its counsel, the Party is legally compelled to disclose. Each Party will use reasonable effort to obtain reliable assurance that confidential treatment will be accorded any Confidential Information so furnished.

16.27.4 Use of Information or Documentation

Each Party may utilize information or documentation furnished by the disclosing Party and subject to Section 16.27 in any proceeding in an administrative agency or court of competent jurisdiction addressing any dispute arising under this IA, subject to a confidentiality agreement with all participants (including, if applicable, any arbitrator) or a protective order.

16.27.5 Remedies Regarding Confidentiality

The Parties agree that monetary damages by themselves will be inadequate to compensate a Party for the other Party's breach of its obligations under Section 16.27. Each Party accordingly agrees that the other Party is entitled to equitable relief, by way of injunction or otherwise, if it breaches or threatens to breach its obligations under Section 16.27.

16.28 Insurance

Both Parties shall obtain insurance in conformance with the requirements set forth in Appendix A.

16.29 Environmental Compliance and Procedures

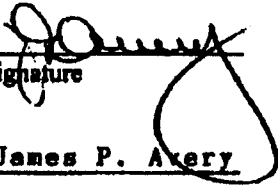
Each Party shall notify the other Party, orally, immediately upon discovery of any release, spill, leak, discharge, disposal of, pump, pour, emit, empty, inject, leach, dump, or allow to escape into or through the environment ("Release") of any hazardous substance by it on the property or facilities of the other Party, or which may migrate to, or adversely impact the property, facilities or operations of, the other Party. Such oral notification shall be followed by written notification within 48 hours. The Party responsible for the Release of any hazardous substance on the property or facilities of the other Party, or which may migrate to, or adversely impact the property, facilities or operations of the other Party shall be responsible, as required by applicable environmental laws, for (i) performing any and all remediation or abatement activity, and (ii) submitting all reports or filings relevant to the Release. In addition, the Party responsible for the Release shall provide promptly copies to the other Party of all such reports or filings as well as any orders, letters, reports or decisions issued by any court or regulatory body in connection with the Release. Reasonable advance written notification (except in Emergency situations, in which oral, followed by written notification, shall be provided as soon as practicable) shall be provided by any Party performing any remediation or abatement activity on the property or facilities of the other Party, or which may adversely impact the property, facilities, or operations of, the other Party. Except in Emergency situations, such remediation or abatement activity shall be performed only with the prior written consent of the Party owning the affected property or facilities, which consent shall not be unreasonably withheld, and *provided* that the Parties each agree to provide reasonable access to the Party responsible for the Release to enable the timely performance of any required abatement and remediation. The Parties agree to coordinate in good faith to reasonably achieve any required abatement and/or remediation while at the same time minimizing any interference with the affected property, facilities or operations of the other party. In addition, the Parties agree to coordinate, to the extent necessary, the preparation of site plans, reports or filings required by law or regulation. In complying with their obligations under this Agreement, the Parties further agree to comply with all applicable environmental laws.

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17. EXECUTION


The signatories hereto warrant and represent that they have been appropriately authorized to enter into this IA on behalf of the Party for whom they sign.

SAN DIEGO GAS & ELECTRIC COMPANY CALPINE CORPORATION

By: 
Signature
James P. Avery
Name

Sr. VP - Electric
Title

October 25, 2006
Date

By: 
Signature
Richard L. Thomas
Name

Vice President
Title

October 23, 2006
Date

APPROVED as to legal form 
10-24-06

APPENDIX A

Insurance

A.1 Each Party shall maintain during the performance hereof:

A.1.1 Commercial General Liability Insurance for bodily injury, personal injury, and property damage in limits, of combined single limit or equivalent for the results of any one (1) occurrence, of not less than \$1,000,000. Such insurance shall provide coverage on a mutually acceptable Commercial General Liability Coverage "occurrence" form, with no coverage deletions.

A.1.2 Workers' Compensation insurance for statutory benefits limits of the applicable Labor Code(s) and Workers' Compensation law(s) and Coverage B - Employer's Liability with limits of \$1,000,000 each accident for Bodily Injury by accident, \$1,000,000 each employee for Bodily Injury by disease, and \$1,000,000 policy limit for Bodily Injury by disease.

A.1.3 Commercial or Business Automobile Liability insurance, covering use of all owned, leased, non-owned or hired automobiles with a combined single limit of not less than One Million Dollars (\$1,000,000) each accident.

A.1.4 Umbrella Liability Insurance in excess of coverages as required in A.1.1, A.1.2 (Employer's Liability Section, (B) only), and A.1.3 such that the combined limit of the primary and umbrella coverage is \$10,000,000 per occurrence or accident.

A.1.5 Such insurance described in Section A.1.1, A.1.2 (Employers Liability only), A.1.3, and A.1.4 above, by endorsement to the policy(ies), shall include each Party as an additional insured, shall contain a severability of interest or cross-liability clause and shall provide that each Party shall not by reason of its inclusion as an additional insured incur liability to the insurance carrier for payment of premium for such insurance.

A.2 Additional Insurance Provisions

A.2.1 Evidence of coverage described above in Section 1 shall state that coverage provided is primary in respect of operations carried out pursuant to this IA and is not excess to or contributing with any insurance or self-insurance maintained by the other Party for events arising out of the performance or non-performance of the insured Party's obligations under this Agreement.

A.2.2 Each Party shall furnish the required certificates and endorsements to the other prior to commencing operation.

A.2.3 Each Party waives its rights of recovery against the other for any loss or damage covered by such policy(ies) to the extent that such loss or damage is reimbursed under such policy(ies). Such insurance shall be endorsed to include a Waiver of Subrogation in favor of the other party and evidence of such Waiver of Subrogation shall be noted on the certificates of insurance.

A.2.4 Such insurance shall provide for 30-calendar days written notice to each Party prior to cancellation, termination, alteration or material change of such insurance; provided, however, 10 calendar days prior written notice shall be provided to each party prior to cancellation or termination for non-payment of premiums.

A.2.5 Failure of either Party to comply with the above insurance terms and conditions, or the complete or partial failure of an insurance carrier to fully protect and indemnify the other Party or its affiliates, or the inadequacy of the insurance shall not in any way lessen or affect the obligation or liabilities of each Party to the other.

A.2.6 All insurance certificates, endorsements, cancellations, terminations, alterations, and material changes of such insurance shall be issued and submitted to the following:

For San Diego Gas & Electric Company:

**Grid Operations Services Manager
San Diego Gas & Electric Company
8306 Century Park Court; SD1160
San Diego, CA 92123-1593
Phone: 619-725-8640
Fax: 619-683-3291**

**For Otay Mesa Generating Company LLC:
P.O. Box 11749
Pleasanton, CA 94588
Attn: Western Region Executive
Phone: 925-479-6600
Fax: 925-479-7300**

Appendix B

Routine Test Guidelines and Hold Authorization Procedures

B.1 Routine Test Guidelines

The following routine test guidelines apply to the Generating Facility.

B.1.1 OMEC shall secondary bench test individual relays by applying the appropriate currents, voltages or frequencies. The relays must be tested at their specified settings to verify the following:

B.1.1.1 Operating point at which relay will actuate.

B.1.1.2 Time delay for at least three (3) separate operating points, if applicable.

B.1.1.3 Phase angle characteristic of directional impedance relays.

B.1.1.4 All relays must meet the following tolerances as applicable under test conditions:

Item	Range
Current	± 5%
Voltage	± 5%
Time	± 5%
Frequency	± 0.3 Hz
Phase Angle	± 5 Degrees

B.1.2 OMEC shall check each protective relay to confirm that the appropriate breaker and/or main breaker is tripped by the relay contact. OMEC will provide an acceptable loop test routine to prove the appropriate breaker and/or main breaker is tripped by the relay contact. OMEC will not trip breakers as part of the loop check.

B.1.3 OMEC shall check all current voltage and frequency relays when energized to confirm that the proper secondary quantities are applied.

B.2 Hold Authorization Procedures

B.2.1 OMEC agrees to the following conditions regarding a Hold Authorization requested by SDG&E.

B.2.1.1 OMEC shall not re-energize the affected circuits, whether manually or automatically, without first receiving the approval of the Designated SDG&E Switching Center.

B.2.1.2 OMEC agrees to install and maintain permanent warning signs on the Generating Facility's main control panel and at each remote operating location where OMEC has remote closing capability. The warning signs shall instruct personnel to contact SDG&E before re-closing the circuit.

APPENDIX C

Dispute Resolution and Arbitration

C.1 Negotiation and Mediation

As provided in Section 16.10, the Parties agree to seek settlement of all disputes arising under this IA by good faith negotiation before resorting to other methods of dispute resolution. In the event that negotiations have failed, but before initiating arbitration proceedings under this Appendix C, the Parties may by mutual assent decide to seek resolution of a dispute through mediation. If this occurs, the Parties shall timely meet and confer to establish an appropriate timetable for mediation, to pick a mediator, and to decide on any other terms and conditions that will govern the mediation.

C.2 Technical Arbitration

C.2.1 The Parties agree that it is in the best interest of both Parties to seek expedited resolution of arbitrable disputes that are technical in nature. Technical disputes may include, without limitation, disputes centered on engineering issues involving technical studies, the need for and associated costs of any work or facilities contemplated by this IA, the Interconnection Capacity, and the need for Facilities as that term is defined in Section 7.4.1. Such technical issues may be resolved through expert application of established technical knowledge and by reference to Good Utility Practice and industry standards.

C.2.2 The Party initiating arbitration pursuant to Section C.3 below shall state in its notice to the other Party whether it regards the dispute to be technical in nature. If both Parties agree that a dispute is technical in nature, then the Parties shall timely meet and confer to develop an appropriate timetable and process for expedited resolution of the dispute by a neutral expert, or "technical arbitrator". If the Parties cannot agree that a dispute is technical in nature, or if they cannot agree on a neutral arbitrator, then the Parties shall submit the dispute to arbitration under the procedures set forth in Section C.3 below.

C.3 Arbitration

C.3.1 Notices And Selection Of Arbitrators

In the event that a dispute is subject to arbitration under Section 16.10, a Party shall initiate arbitration by sending written notice to the other Party. Such notice shall identify the name and address of the person such Party designates to act as an arbitrator. Within 10 Business Days after receipt of such notice, the other Party shall give a similar written notice stating the name and address of the person such Party designates to act as an arbitrator. Each Party shall then submit to the two named arbitrators a list of the names and addresses of at least three persons for use by the two named arbitrators in the selection of the third arbitrator. If the same name or names appear on both lists, the two named arbitrators shall appoint one of the persons named on both lists as the third arbitrator. If no name appears on both lists, the two named arbitrators shall select a third arbitrator from either list or independently of either list. If the two named arbitrators cannot agree on the selection of the third arbitrator within 30 calendar days, the Parties shall jointly request that the Chief Judge of the United States District Court for the Southern District of California appoint the third arbitrator. Each arbitrator selected under these procedures shall be a person experienced in the construction, design, operation or regulation of electric power transmission facilities, as applicable to the issue(s) in dispute.

C.3.2 Procedures

Within 15 Business Days after the appointment of the third arbitrator, or on such other date to which the Parties may agree, the arbitrators shall meet to determine the procedures that are to be followed in conducting the arbitration, including, without limitation, such procedures as may be necessary for the taking of discovery pursuant to Sections 2016-2036 of the California Code of Civil Procedure, giving testimony, and submission of written arguments and briefs to the arbitrators. Unless otherwise mutually agreed by the Parties, the arbitrators shall determine such procedures based upon the purpose of the Parties in conducting an arbitration under Section 16.10 of the IA, specifically, the purpose of utilizing the least burdensome, least expensive and most expeditious dispute resolution procedures consistent with providing each Party with a fair and reasonable opportunity to be heard. If the arbitrators are unable unanimously to agree to the procedures to be used in the arbitration, the arbitration shall be governed by the Commercial Arbitration Rules of the American Arbitration Association.

C.3.3 Hearing and Decision

After giving the Parties due notice of hearing and a reasonable opportunity to be heard, the arbitrators shall hear the dispute(s) submitted for arbitration and shall render their decision within 90 calendar days after appointment of the third arbitrator or such other date selected upon the mutual agreement of the Parties. The arbitrators' decision shall be made in writing and signed by any 2 of the 3 arbitrators. The decision shall be final and binding upon the Parties. If the arbitration arises under Section 15.4 or 15.8 of the IA, the arbitrators shall determine the appropriate amount of the bill to be paid or refunded and the Party prevailing shall be entitled to payment in such amount by the other Party. Under no circumstances are the arbitrators authorized to award any money damages in favor of either Party in rendering a decision and award. Judgment may be entered on the decision in any court of competent jurisdiction upon the application of either Party.

C.3.4 Expenses

Each Party shall bear its own costs and the costs and expenses, including the costs and expenses for the arbitrator such Party designates; *provided*, however, the cost of the third arbitrator shall be borne equally by the Parties.

APPENDIX D

Elections Made By OMEC

D.1 Standby Generator

In the interest of safety, OMEC must promptly notify SDG&E before operating or allowing any Third Party to operate any generation sources capable of parallel operation with the SDG&E Electric System which are interconnected to the Interconnection Facilities. OMEC shall comply with the requirements identified in the SDG&E Interconnection Handbook, as it may be revised or superseded from time to time, for all such generation sources capable of parallel operation with the SDG&E Electric System. For SDG&E's information and by way of initial compliance with this Section, OMEC represents to SDG&E that the following is correct:

D.1.1 OMEC has installed a standby generator.

D.1.2 OMEC does not have and does not plan to install a standby generator.

D.1.3 While OMEC does not currently have a standby generator installed, it plans to install a standby generator in the future. OMEC will notify the Designated SDG&E Switching Center before operating this generator in parallel with the SDG&E Electric System.

OMEC shall promptly notify SDG&E if the conditions or circumstances indicated above change.

Appendix E

Generating Facility Information and Interconnection Capacity

E.1 Generating Facility Information

E.1.1 Location of Generating Facility: Intersection of Otay Mesa Road and Alta Road, County of San Diego, California.

E.1.2 Description of Generating Facility:

E.1.2.1 Number of units: 2 Combustion Turbine Generators, 1 Steam Turbine Generator

E.1.2.2 Frequency: 3-phase, 60 Hertz.

E.1.2.3 Auxiliary Power Supply Location: Low side of Combustion Turbine main generator step-up transformers, located on Generating Facility Property.

OMEC shall provide SDG&E the following information within 6 months of the execution of this Agreement:

E.1.2.4 Make:

E.1.2.5 Model:

E.1.2.6 Type:

E.1.2.7 Serial No.:

E.1.2.8 Nameplate Output Rating:

E.2 Interconnection with the SDG&E Electric System

E.2.1 Voltage of the Interconnection 230 kV

E.2.2 Interconnection Capacity: 615 MW

E.3 Interconnection Facilities

Direct Assignment Facilities:

- 1. The 230 kV generation tie line conductor from the vertical plane above the fence line at the Switchyard to the deadend insulators within the Switchyard.**
- 2. The deadend insulators.**

Network Facilities:

1. New sections of 230 kV transmission line used to loop TL23040 (Miguel-Tijuana 230 kV) into the new 230 kV portion of the Switchyard.
2. The Miguel-Otay Mesa 230 kV line that is converted from single circuit (twinned conductor) to two bundled circuits having two 900 kcmil ACSS/AW conductors per phase with separate 3000 A breakers at the Switchyard and a SPS to trip the OMEC Generating Facility in the event of the loss of the lines to Miguel.
3. A new 2000 A circuit breaker at Miguel Substation to terminate the second circuit, required structures, disconnects, relaying and an appropriate SPS to reduce OMEC generation during Miguel substation maintenance and contingencies.
4. The existing single circuit 230 kV transmission line from Otay Mesa to US/Mexico Border, which has twinned 1033 kcmil ACSR/AW conductors.
5. The new 230 kV Switchyard shown in Appendix E.6, includes all facilities inside the Switchyard fence with the exception of the generator lead conductors and associated deadend insulators.

E.4 Point(s) of Interconnection

The "Point(s) of Interconnection" are the points where the Generating Facility connects with the Interconnection Facilities at the deadend insulators and the ISO-Controlled Grid within the Switchyard, as shown in Section E.6 below.

E.5 Reserved

APPENDIX G

Sample Operation and Maintenance Charge Calculation

Commencing on the In-Service Date for the Interconnection Facilities, Section 8.13.1 of the IA provides for an annual O&M charge equal to the currently effective Generation Interconnection O&M Fixed Charge Rate set forth in Appendix XI of SDG&E's Transmission Owner Tariff (as such rate may be modified from time to time) times the following amount: The installed Cost of the direct assignment Interconnection Facilities. In addition, OMEC shall pay SDG&E after the in-service date of the Interconnection Facilities associated with SDG&E's obligations under Sections 5.1.6.1 and 5.1.6.2 of the IFA.

The following example using hypothetical costs illustrates how the formula would work. Assume the following:

Installed Cost of the 230 kV generator tie line conductor within the Switchyard, and the deadend insulators	\$ 20,086
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The resulting annual O&M charge would be calculated as follows:

Annually: \$20,086 * = (the currently effective Generation Interconnection O&M Fixed Charge Rate set forth in Appendix XI of SDG&E's Transmission Owner Tariff (as such rate may be modified from time to time))